

TOWNSHIP OF ADAMS
HOUGHTON COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL FINANCIAL INFORMATION

March 31, 2007

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORTS:	<u>Page</u>
Independent Auditor's Report	4
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	7
Statement of Activities	8
<u>Governmental Funds:</u>	
Balance Sheet	9
Statement of Revenues, Expenditures, and Changes in Fund Balances	10
<u>Proprietary Funds:</u>	
Balance Sheet	11
Statement of Revenues, Expenditures, and Changes in Retained Earnings	12
Statement of Cash Flows	13
Fiduciary Funds - Statement of Fiduciary Net Assets	14
Notes to Financial Statements	15
REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION:	
<u>Budgetary Comparison Schedules:</u>	
General Fund	31
Fire Protection Fund	32
SUPPLEMENTAL FINANCIAL INFORMATION:	
<u>General Fund:</u>	
Balance Sheets	34
Detailed Statements of Revenues, Expenditures, and Changes in Fund Balance	35
<u>Fire Protection Fund:</u>	
Balance Sheets	39
Detailed Statements of Revenues, Expenditures, and Changes in Fund Balance	40
<u>Enterprise Funds:</u>	
Combining Balance Sheets	41
Combining Statements of Revenues, Expenses, and Changes in Retained Earnings	42
Combining Statements of Cash Flows	43

TABLE OF CONTENTS
(Continued)

SUPPLEMENTAL FINANCIAL INFORMATION: (Continued)

Detail Schedules of Revenues, Expenses, and Changes in Retained Earnings:

Baltic Sewer	44
Painesdale Sewer	45
Trimountain Sewer	46
Atlantic Mine Sewer	47
Wholesale Water	48
Retail Water	49

Fiduciary Fund Types:

Tax Collection Funds	
Statement of Changes in Assets and Liabilities	50

LETTER OF COMMENTS AND RECOMMENDATIONS	51
---	-----------



Bruce A Rukkila, CPA, PC

For the  Accounting Firm
for the  Peninsula

310 Sheldon Avenue • Houghton MI 49931
(906) 482-6601 • Fax: (906) 482-9046
e-mail: help@brucerukkila.com
www.bruцерukkila.com

INDEPENDENT AUDITOR'S REPORT

Honorable Supervisor and Board of Trustees
Township of Adams
Painesdale, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Adams as of and for the year then ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Adams as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township of Adams has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements and have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC

July 31, 2007

Certified Public Accountants



Bruce A Rukkila, CPA, PC



310 Sheldon Avenue • Houghton MI 49931
(906) 482-6601 • Fax: (906) 482-9046
e-mail: help@brucerukkila.com
www.bruцерukkila.com

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Supervisor and Board of Trustees
Township of Adams
Painesdale, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Adams as of and for the year then ended March 31, 2007 which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements is more than inconsequential and will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will be not be prevented or detected by the Township of Adam's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township of Adams in a separate letter dated July 31, 2007.

This report is intended for the information of the audit committee, management, and federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC

July 31, 2007

Certified Public Accountants

TOWNSHIP OF ADAMS
STATEMENT OF NET ASSETS
March 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 424,260	\$ 696,312	\$ 1,120,572
Receivables	20,536	101,461	121,997
Prepaid expenses	7,335	14,581	21,916
Internal balances	135,680	(135,680)	-
Due from fiduciary funds	177	-	177
TOTAL CURRENT ASSETS	<u>587,988</u>	<u>676,674</u>	<u>1,264,662</u>
NONCURRENT ASSETS:			
Restricted cash	-	770,960	770,960
Capital assets	2,037,516	11,590,900	13,628,416
Less: accumulated depreciation	<u>(1,175,438)</u>	<u>(3,060,741)</u>	<u>(4,236,179)</u>
TOTAL NONCURRENT ASSETS	<u>862,078</u>	<u>9,301,119</u>	<u>10,163,197</u>
 TOTAL ASSETS	 <u>\$ 1,450,066</u>	 <u>\$ 9,977,793</u>	 <u>\$ 11,427,859</u>
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 9,868	\$ 42,088	\$ 51,956
Bonds payable, current maturities	<u>10,000</u>	<u>46,000</u>	<u>36,000</u>
TOTAL CURRENT LIABILITIES	<u>19,868</u>	<u>88,088</u>	<u>87,956</u>
NONCURRENT LIABILITIES:			
Bonds payable, less current maturities	35,000	2,587,940	2,552,940
Compensated absences	12,362	-	12,362
Deferred revenue	<u>-</u>	<u>59,002</u>	<u>59,002</u>
TOTAL NONCURRENT LIABILITIES	<u>47,362</u>	<u>2,646,942</u>	<u>2,599,580</u>
TOTAL LIABILITIES	<u>67,230</u>	<u>2,735,030</u>	<u>2,802,260</u>
NET ASSETS:			
Invested in capital assets, net of related debt	849,716	680,902	1,530,618
Contributed capital	-	5,215,317	5,215,317
Restricted for debt service	(9,196)	-	(9,196)
Reserved	-	633,347	633,347
Unreserved	<u>542,316</u>	<u>713,197</u>	<u>1,255,513</u>
TOTAL NET ASSETS	<u>1,382,836</u>	<u>7,242,763</u>	<u>8,625,599</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,450,066</u>	 <u>\$ 9,977,793</u>	 <u>\$ 11,427,859</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
STATEMENT OF ACTIVITIES
March 31, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
			Operating	Capital	Primary Government		
	Charges for	Grants and	Grants and		Governmental	Business-Type	
<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>		<u>Activities</u>	<u>Activities</u>	<u>Total</u>
FUNCTIONS/PROGRAMS							
Primary government:							
Government activities:							
General government	\$ 147,665	\$ 24,270	\$ -	\$ -	(123,395)	\$ -	\$ (123,395)
Public safety	41,078	-	-	-	(41,078)	-	(41,078)
Public works	36,769	-	-	-	(36,769)	-	(36,769)
Recreation and culture	7,649	-	-	-	(7,649)	-	(7,649)
Other	35,845	-	-	-	(35,845)	-	(35,845)
Interest on long term debt	1,013	-	-	-	(1,013)	-	(1,013)
Total governmental activities	270,019	24,270	-	-	(245,749)	-	(245,749)
Business-type activities:							
Water	446,917	404,853	-	-	-	(42,064)	(42,064)
Sewer	133,423	174,996	-	-	-	41,573	41,573
Total business-type activities	580,340	579,849	-	-	-	(491)	(491)
Total primary government	\$ 850,359	\$ 604,119	\$ -	\$ -	(245,749)	(491)	(246,240)

General Revenues:

Taxes			
Property taxes, levied for general operations	101,066	-	101,066
State shared revenue	132,355	-	132,355
Interest and investment earnings	4,238	25,672	29,910
Contributions not restricted to specific programs	100	-	100
Other	19,852	7,703	27,555
Total general revenues, transfers, and special items	257,611	33,375	290,986
Change in Net Assets	11,862	32,884	44,746
Net Assets - Beginning	1,370,974	7,209,879	8,580,853
Net Assets - Ending	\$ 1,382,836	\$ 7,242,763	\$ 8,625,599

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
BALANCE SHEET - GOVERNMENTAL FUNDS
March 31, 2007

	<u>Major Funds</u>			
	<u>General</u>	<u>Fire</u>	<u>Non-major</u>	<u>Total</u>
	<u>Fund</u>	<u>Protection</u>	<u>Debt</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Retirement</u>	<u>Funds</u>
ASSETS:				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 424,260	\$ -	\$ -	\$ 424,260
Taxes receivable	11,589	6,947	2,000	20,536
Due from other funds	218,207	6,560	-	224,767
Due from fiduciary funds	177	-	-	177
Prepaid insurance	7,335	-	-	7,335
TOTAL CURRENT ASSETS	<u>\$ 661,568</u>	<u>\$ 13,507</u>	<u>\$ 2,000</u>	<u>\$ 677,075</u>
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable	\$ 4,944	\$ -	\$ -	\$ 4,944
Accrued expenses	4,924	-	-	4,924
Due to other funds	77,891	-	11,196	89,087
TOTAL CURRENT LIABILITIES	<u>87,759</u>	<u>-</u>	<u>11,196</u>	<u>98,955</u>
FUND BALANCES:				
Restricted	-	-	(9,196)	(9,196)
Unreserved	573,809	13,507	-	587,316
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 661,568</u>	<u>\$ 13,507</u>	<u>\$ 2,000</u>	<u>578,120</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	862,078
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(57,362)</u>
Net assets of governmental activities	<u>\$ 1,382,836</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended March 31, 2007

	<u>Major Funds</u>		<u>Non-major</u>	<u>Total</u>
	<u>General</u>	<u>Fire</u>	<u>Debt</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Projection</u>	<u>Retirement</u>	<u>Funds</u>
Revenues:				
Taxes	\$ 61,834	\$ 28,232	\$ 11,000	\$ 101,066
State revenue	132,355	-	-	132,355
Charges for services	24,270	-	-	24,270
Interest	4,069	-	169	4,238
Rentals	6,300	-	-	6,300
Contributions	100	-	-	100
Other revenue	8,210	5,342	-	13,552
Total revenues	<u>237,138</u>	<u>33,574</u>	<u>11,169</u>	<u>281,881</u>
Expenditures:				
General government	85,895	-	-	85,895
Public safety	910	40,168	-	41,078
Public works	36,769	-	-	36,769
Recreation and culture	7,649	-	-	7,649
Other	35,845	-	1,013	36,858
Total expenditures	<u>167,068</u>	<u>40,168</u>	<u>1,013</u>	<u>208,249</u>
Excess (deficiency) of revenue over expenditures	<u>70,070</u>	<u>(6,594)</u>	<u>10,156</u>	<u>73,632</u>
Fund Balance (Deficit) - Beginning of Year	<u>503,739</u>	<u>20,101</u>	<u>(19,352)</u>	
Fund Balance (Deficit) - End of Year	<u>\$ 573,809</u>	<u>\$ 13,507</u>	<u>\$ (9,196)</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures.

This amount represents depreciation. (55,224)

Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred.

(6,546)

Change in net assets of governmental activities

\$ 11,862

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
PROPRIETARY FUNDS
BALANCE SHEET
Year Ended March 31, 2007

	<u>Business-Type Activities</u>		
	<u>Major Funds</u>		
	<u>Sewer System</u>	<u>Water System</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 486,842	\$ 209,470	\$ 696,312
Accounts receivable	67,499	33,962	101,461
Prepaid expenses	-	14,581	14,581
Due from other funds	-	100,945	100,945
Total current assets	<u>554,341</u>	<u>358,958</u>	<u>913,299</u>
Restricted cash	<u>213,797</u>	<u>557,163</u>	<u>770,960</u>
Property, plant, and equipment	7,573,753	4,017,147	11,590,900
Accumulated depreciation	<u>(1,342,117)</u>	<u>(1,718,624)</u>	<u>(3,060,741)</u>
	<u>6,231,636</u>	<u>2,298,523</u>	<u>8,530,159</u>
TOTAL ASSETS	<u>\$ 6,999,774</u>	<u>\$ 3,214,644</u>	<u>\$ 10,214,418</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 538	\$ 17,695	\$ 18,233
Accrued expenses	348	23,507	23,855
Due to other funds	209,078	27,547	236,625
Current maturities on long term debt	21,000	25,000	46,000
Total current liabilities	<u>230,964</u>	<u>93,749</u>	<u>324,713</u>
Long-term liabilities:			
Deferred revenue	59,002	-	59,002
Bonds/note payable	<u>1,458,940</u>	<u>1,129,000</u>	<u>2,587,940</u>
TOTAL LIABILITIES	<u>1,748,906</u>	<u>1,222,749</u>	<u>2,971,655</u>
FUND EQUITY:			
Contributed capital	4,845,294	370,023	5,215,317
Retained earnings:			
Reserved	267,236	366,111	633,347
Unreserved	<u>138,338</u>	<u>1,255,761</u>	<u>1,394,099</u>
Total retained earnings	<u>405,574</u>	<u>1,621,872</u>	<u>2,027,446</u>
TOTAL FUND EQUITY	<u>5,250,868</u>	<u>1,991,895</u>	<u>7,242,763</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 6,999,774</u>	<u>\$ 3,214,644</u>	<u>\$ 10,214,418</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN RETAINED EARNINGS
Year Ended March 31, 2007

	<u>Business-Type Activities</u>		
	<u>Major Funds</u>		
	<u>Sewer System</u>	<u>Water System</u>	<u>Total</u>
OPERATING REVENUES:			
Sales and charges for services	\$ 174,996	\$ 404,853	\$ 579,849
Other revenue	3,518	4,185	7,703
TOTAL OPERATING REVENUES	<u>178,514</u>	<u>409,038</u>	<u>587,552</u>
EXPENSES:			
Salaries, wages, and fringe benefits	7,561	122,506	130,067
Supplies, materials, and other	4,835	28,849	33,684
Repair and maintenance	543	22,549	23,092
Insurance	1,343	26,501	27,844
Utilities	6,039	99,737	105,776
Other services and support	14,387	13,867	28,254
Capital outlay	-	270	270
Depreciation	200,107	87,770	287,877
TOTAL OPERATING EXPENSES	<u>234,815</u>	<u>402,049</u>	<u>636,864</u>
OPERATING INCOME (LOSS)	(56,301)	6,989	(49,312)
NON-OPERATING REVENUES (EXPENSES):			
Interest income	4,933	20,739	25,672
Interest expense	(67,004)	(66,570)	(133,574)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(62,071)</u>	<u>(45,831)</u>	<u>(107,902)</u>
NET INCOME (LOSS)	(118,372)	(38,842)	(157,214)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	<u>5,200,844</u>	<u>2,009,035</u>	<u>7,209,879</u>
ADJUSTMENTS TO FUND EQUITY:			
Add depreciation on fixed assets acquired with new capital	<u>168,396</u>	<u>21,702</u>	<u>(190,098)</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR	<u>\$ 5,250,868</u>	<u>\$ 1,991,895</u>	<u>\$ 7,242,763</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended March 31, 2007

	Enterprise Funds		
	Sewer System	Water System	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 185,679	\$ 423,286	\$ 608,965
Payments to suppliers	(22,645)	(237,346)	(259,991)
Internal activity -- receipts (payments) to other funds	0	0	0
Payments to employees	(7,213)	(78,124)	(85,337)
Other receipts (payments)	25	0	25
Net cash provided by operating activities	<u>155,846</u>	<u>107,816</u>	<u>263,662</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	<u>0</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	0	0	0
Purchases of capital assets	(5,194)	0	(5,194)
Principal paid on capital debt	(18,060)	(23,000)	(41,060)
Interest paid on capital debt	(67,004)	(66,570)	(133,574)
Net cash (used) by capital and related financing activities	<u>(90,258)</u>	<u>(89,570)</u>	<u>(179,828)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>4,933</u>	<u>20,739</u>	<u>7,808</u>
Net cash provided by investing activities	<u>4,933</u>	<u>20,739</u>	<u>7,808</u>
Net (decrease) in cash and cash equivalents	<u>70,521</u>	<u>38,985</u>	<u>91,642</u>
Balances -- beginning of the year	<u>630,118</u>	<u>727,648</u>	<u>1,357,766</u>
Balances -- end of the year	<u>\$ 700,639</u>	<u>\$ 766,633</u>	<u>\$ 1,467,272</u>
Reconciliation of operating income (loss) to net cash provided			
(used) by operating activities:			
Operating income (loss)	\$ (56,302)	\$ 6,988	\$ (49,314)
Adjustments to reconcile operating income to net cash provided			
(used) by operating activities:			
Depreciation expense	200,107	87,770	287,877
Change in assets and liabilities			
Receivables, net	4,810	16,929	21,739
Accounts and other payables	4,503	(1,948)	2,555
Accrued Expenses	348	(540)	(192)
Deferred revenue	2,380	(1,383)	997
Net cash provided by operating activities	<u>\$ 155,846</u>	<u>\$ 107,816</u>	<u>\$ 263,662</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
March 31, 2007

	<u>Fiduciary Funds</u>
ASSETS:	
Cash	\$ 24,812
 TOTAL ASSETS	 <u>\$ 24,812</u>
LIABILITIES:	
Due to General Fund	\$ 177
Due to Fire Protection Fund	63
Due to other governmental units	<u>24,572</u>
 TOTAL LIABILITIES	 <u>\$ 24,812</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

The Township was organized on March 19, 1867 and covers an area of approximately 47.5 square miles. The Township operates under an elected board of five members.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Adams, Michigan, conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

REPORTING ENTITY

The Township of Adams is incorporated under the laws of the State of Michigan and operates under an elected council form of government.

There are no other governmental units within the Township that are controlled by, or dependent upon the Township's Board of Trustees. In accordance with NCGA Statements 3 and 7, control by, or dependence on the Township, was determined on the basis of appointment of the governing body or governing authority budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, surplus funds, and scope of public service.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as trust and agency funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Township and for each governmental program. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue and capital projects and the restrictions on their net asset use.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The two major governmental funds are each presented in a single column on the governmental fund financial statements.

The following fund types are used by the Township:

Governmental Funds - The focus of the governmental funds' measurement (in the fund statements) is upon determination of the financial position (sources, uses, and balances of financial resources) rather than upon net income.

The following is a description of the major governmental funds of the Township:

General Fund - The General Fund is the government's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund - The Fire Fund accounts for fire protection by special assessment under Act 33, 1951, as amended.

The following is a description of the non-major governmental fund of the Township:

Debt Retirement Fund - The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Atlantic Mine Sewer, Painesdale Sewer, Retail Water, and Wholesale Water funds are major enterprise funds of the Township.

Baltic Sewer and Trimountain Sewer are non-major enterprise funds of the Township.

Fiduciary Funds - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Fiduciary funds are not included in the government-wide statements.

The following is a description of the fiduciary funds:

Current Tax Collection Fund - The Current Tax Collection Fund accounts for collection and disbursement of property tax collections.

Delinquent Tax Collection Fund - The Delinquent Tax Collection Fund accounts for collection and disbursements of delinquent taxes and deposits due to other units and individuals.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual Method

The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is done.

Property taxes, state revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Other Accounting Policies

Cash and Cash Equivalents - The Township's cash and cash equivalents include checking, money market, certificates of deposits, and savings accounts.

The Township reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Township to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, bankers acceptances, and with some restrictions, mutual funds. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township does have an investment policy that meets state statutory regulations.

Property Taxes - Property taxes are levied on December 1. The Township collects its own property taxes until February 28, at which time collection is turned over to Houghton County for collection.

For the year ended March 31, 2007, the Township levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
Township Operating	1.2979

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted assets - Certain cash accounts are classified as restricted assets on the balance sheet because their use is limited.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory

The Township utilizes the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

Encumbrances

Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements

Capital Assets

Capital assets, which include land, buildings, equipment, water/sewer improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Vehicles	5-10 years
Furniture and other equipment	5-10 years

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved fund balance for governmental funds represent that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spending resources. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Contributed capital - The Township follows the policy of reducing contributed capital in the water and sewer funds for an amount equal to the yearly depreciation on assets acquired or constructed with such contributed capital. This policy is based on the premise that future replacement of these facilities will be funded by the users who benefit from the facilities and not current users through the current rate structure. At March 31, 2006, Federal, State and Local contributed capital of \$5,405,415 has been reduced to \$5,215,317 as of March 31, 2007. The current year amortization is \$190,098.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Benefits

The liabilities for accrued benefits reported in the district-wide statements in the amount of \$12,362, consisted of sick leave and vacation balances.

Accrued vacation time is payable upon termination of employment or retirement. Accrued sick leave is not paid to employees upon termination of employment or retirement, thus there is not vested liability for unused sick leave.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each January, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following March 1, and submits this proposed budget to the Township Board of Trustees at the annual meeting in March.
- b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.
- c. Pursuant to the statute, the proposed budget as approved by the Board of Trustees, is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at the next board meeting.
- d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- e. Budget appropriation's lapse at the end of the fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

In accordance with the State of Michigan Budgeting and Accounting Act, the Township must adopt an annual operating budget for the General Fund.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund and fire protection fund are noted in the required supplementary information section.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE C - CASH AND INVESTMENTS

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007, \$471,142 of the Township's bank balance of \$1,937,759 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township does business.

At year-end, the Township's cash deposits (checking, savings and certificates of deposit) were reported in the basic financial statements in the following categories:

	Governmental Activities	Enterprise Funds	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 424,260	\$ 696,312	\$ 0	\$ 1,120,572
Restricted cash	0	770,960	24,812	795,772
Total cash and cash equivalents	<u>\$ 424,260</u>	<u>\$ 1,467,272</u>	<u>\$ 24,812</u>	<u>\$ 1,916,344</u>

NOTE D - INTER-FUND RECEIVABLES AND PAYABLES

The amounts of inter-fund receivables and payables at March 31, 2007 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$ 218,207	Debt Service	\$ 11,196
		Baltic Sewer	25
		Painesdale Sewer	33,833
		Trimountain Sewer	156,470
		Atlantic Mine Sewer	8,465
		Retail Water	8,218
Subtotal	<u>218,207</u>	Subtotal	<u>218,207</u>
Fire Fund	6,560	General Fund	6,560
Subtotal	<u>6,560</u>	Subtotal	<u>6,560</u>
Retail Water	11,350	General Fund	1,065
Subtotal	<u>11,350</u>	Atlantic Mine Sewer	10,285
Wholesale Water	89,595	Subtotal	<u>11,350</u>
Subtotal	<u>89,595</u>	General Fund	70,266
TOTALS	<u>\$ 325,712</u>	Retail Water	19,329
		Subtotal	<u>89,595</u>
		TOTALS	<u>\$ 325,712</u>

NOTE E - RECEIVABLES

The detail of receivables at March 31, 2007 are as follows:

Receivables	General	Fire	Debt Retirement	Proprietary	Total Primary Government
Receivables	\$ 11,589	\$ 0	\$ 0	\$ 101,461	\$ 113,050
Special assessment	0	6,947	2,000	0	8,947
Total receivables	<u>\$ 11,589</u>	<u>\$ 6,947</u>	<u>\$ 2,000</u>	<u>\$ 101,461</u>	<u>\$ 121,997</u>

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE F - CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	Balance 06/30/06	Additions	Deletions	Balance 06/30/07
Land	\$ 168,779	\$ 0	\$ 0	\$ 168,779
Capital assets being depreciated:				
Building and additions	1,444,130	0	0	1,444,130
Equipment and machinery	121,508	0	0	121,508
Infrastructure	87,856	0	0	87,856
Office equipment	36,000	0	0	36,000
Vehicles	179,243	0	0	179,243
			0	
Subtotal	<u>1,868,737</u>	<u>0</u>	<u>0</u>	<u>1,868,737</u>
Accumulated depreciation:				
Building and additions	963,980	19,606	0	983,586
Equipment and machinery	92,362	4,207	0	96,569
Infrastructure	17,940	4,393	0	22,333
Office equipment	9,200	4,600	0	13,800
Vehicles	<u>36,732</u>	<u>22,418</u>	<u>0</u>	<u>59,150</u>
Subtotal	<u>1,120,214</u>	<u>55,224</u>	<u>0</u>	<u>1,175,438</u>
Net capital assets being depreciated	<u>748,523</u>	<u>(55,224)</u>	<u>0</u>	<u>693,299</u>
Net capital assets	<u>\$ 917,302</u>	<u>\$ (55,224)</u>	<u>\$ 0</u>	<u>\$ 862,078</u>

Depreciation expense was charged to activities of the Township as follows:

Governmental activities	
General government	\$ 25,310
Fire protection	<u>29,914</u>
Total governmental activities	<u>\$ 55,224</u>

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE F - CAPITAL ASSETS (Continued)

The property, plant, and equipment in Township business-type funds at March 31, 2007 are summarized as follows:

SEWER FUNDS

<u>Atlantic Mine</u>	Balance 4/01/2006	Additions	Deletions	Balance 3/31/2007
Land	\$ 2,000	\$ 0	\$ 0	\$ 2,000
Capital assets - utility System	3,687,721	5,195	0	3,692,916
Accumulated depreciation - utility System	911,510	104,855	0	1,016,365
Net capital assets being depreciated	2,776,211	(99,660)	0	2,676,551
Net capital assets	<u>\$ 2,778,211</u>	<u>\$ (99,660)</u>	<u>\$ 0</u>	<u>\$ 2,678,551</u>

<u>Painesdale Sewer Fund</u>	Balance 4/01/2006	Additions	Deletions	Balance 3/31/2007
Land	\$ 68,761	\$ 0	\$ 0	\$ 68,761
Capital assets - utility system	3,810,076	0	0	3,810,076
Accumulated depreciation - utility system	230,500	95,252	0	325,752
Net capital assets being depreciated	3,579,576	(95,252)	0	3,484,324
Net capital assets	<u>\$ 3,648,337</u>	<u>\$ (95,252)</u>	<u>\$ 0</u>	<u>\$ 3,553,085</u>

WATER FUNDS

<u>Retail Water Fund</u>	Balance 4/01/2006	Additions	Deletions	Balance 3/31/2007
Land	\$ 39,941	\$ 0	\$ 0	\$ 39,941
Construction in progress	80,909	0	0	80,909
Subtotal	120,850	0	0	120,850
Capital assets being depreciated:				
Buildings	42,201	0	0	42,201
Equipment/Vehicles/Machinery	65,855	0	0	65,855
Office Equipment	3,492	0	0	3,492
Utility System	1,492,955	0	0	1,492,955
Subtotal	1,604,503	0	0	1,604,503
Accumulated depreciation:				
Buildings	24,281	1,055	0	25,336
Equipment/Vehicles/Machinery	57,085	5,842	0	62,927
Office Equipment	2,219	425	0	2,644
Utility System	621,272	27,613	0	648,885
Subtotal	704,857	34,935	0	739,792
Net capital assets being depreciated	899,646	(34,935)	0	864,711
Net capital assets	<u>\$ 1,020,496</u>	<u>\$ (34,935)</u>	<u>\$ 0</u>	<u>\$ 985,561</u>

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE F - CAPITAL ASSETS (Continued)

<u>Wholesale Water Fund</u>	Balance 4/01/2006	Additions	Deletions	Balance 3/31/2007
Land	\$ 13,975	\$ 0	\$ 0	\$ 13,975
Capital assets being depreciated:				
Buildings	228,833	0	0	228,833
Wellhead Protection	8,528	0	0	8,528
Office Equipment	1,016	0	0	1,016
Utility System	1,973,271	0	0	1,973,271
Equipment/Vehicles/Machinery	67,090	0	920	66,170
Subtotal	2,278,738	0	920	2,277,818
Accumulated depreciation:				
Buildings	76,112	5,946	0	82,058
Wellhead Protection	2,345	426	0	2,771
Office Equipment	1,016	0	0	1,016
Utility System	793,360	42,221	0	835,581
Equipment/Vehicles/Machinery	54,083	4,243	920	57,406
Subtotal	926,916	52,836	920	978,832
Net capital assets being depreciated	1,351,822	(52,836)	0	1,298,986
Net capital assets	\$ 1,365,797	\$ (52,836)	\$ 0	\$ 1,312,961

NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS - PROPRIETARY FUNDS

WHOLESALE WATER FUND

Bond and Interest Redemption Account - The 1992 Water Supply System Revenue Bond requires that the township set aside each quarter on or after July 1, an amount not less than 1/2 of the amount of interest due on the next interest payment and 1/4 of the amount of principal due on the next principal payment date. The township's Bond and Interest Redemption Account balance should be \$34,746 at March 31, 2007. The township is in compliance with bond requirements.

Bond Reserve Account - The 1992 Water Supply System Revenue Bond requires that the township establish a bond reserve account to be used for payment on the bond in the event of default. At March 31, 2007, the Bond Reserve account should be \$100,000. The township is in compliance with bond requirements.

Repair and Replacement Account - The 1992 Water Supply System Revenue Bond states the township has the option to establish a separate fund for the purpose of paying the cost of repairing or replacing any damage to the system, repairing or replacing obsolete, deteriorating portions of the system, or making improvements to the system, when necessary. The township has set aside \$100,000 designated for this account.

ATLANTIC SEWER FUND

Bond and Interest Redemption Account - The 1995 Sewage Disposal System Revenue Bonds requires that the township set aside each quarter on or after April 1, an amount not less than 1/2 of the amount of interest due on the next interest payment and 1/4 of the amount of principal due on the next principal payment. The township's Bond and Interest Redemption Account balance should be \$18,896 at March 31, 2007. The township is in compliance with bond requirements.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS - PROPRIETARY FUNDS (Continued)

Bond Reserve Account - The 1995 Sewage Disposal Revenue Bond requires that the township establish a bond reserve account to be used for payment on the bond in the event of default. At March 31, 2007, the Bond Reserve account should be \$36,000. The township is in compliance with bond requirements.

PAINESDALE SEWER FUND

Bond and Interest Redemption Account - The 2001 Sewage Disposal System Revenue Bond requires that the township set aside each quarter on or after April 1, an amount not less than $\frac{1}{2}$ of the amount of interest due on the next interest payment and $\frac{1}{4}$ of the amount of principal due on the next principal payment. The township's Bond and Interest Redemption Account balance should be \$25,282 at March 31, 2007. The township is in compliance with bond requirements.

Bond Reserve Account - The 2001 Sewage Disposal Revenue Bond requires that the township establish a bond reserve account to be used for payment on the bond in the event of default. At March 31, 2007, the Bond Reserve account should be \$50,000. The township is in compliance with bond requirements.

Repair and Construction Account - The 2001 Sewage Disposal Revenue Bond requires that monies be transferred each quarter of the fiscal into the Repair and Construction Account in an amount not less than \$1,100, less the amount, if any, deposited into the Bond Reserve Account at the beginning of the same fiscal year quarter that is specified for the bond. At March 31, 2007, the township is in compliance with bond requirements.

NOTE H - ACCUMULATED UNPAID SICK LEAVE AND COMPENSATORY TIME

Township employees accumulate sick leave days monthly at a rate of one day per month. The employees will be compensated, upon retirement, at the rate of half pay for accumulated sick leave days. The maximum sick leave accrual is ninety (90) days. Accumulated unpaid sick leave at March 31, 2007 and 2006 was \$12,362 and \$5,816, respectively.

NOTE I - LONG-TERM DEBT

Sewage Disposal Bond

Sewage Disposal System revenue bonds were issued in 1995 in the amount of \$661,000 for the purpose of acquiring, constructing, and equipping improvements to the Township's sewage disposal system. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Sewage Disposal System. The bond bears an interest rate not to exceed 4.5% per annum.

The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township, on any interest payment date after October 1, 1997. The payment schedule for the bond is as follows:

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE I - LONG-TERM DEBT (Continued)

SEWAGE DISPOSAL SYSTEM FUND
SCHEDULE OF REVENUE BONDS

<u>Fiscal Year</u>	<u>April 1 Interest</u>	<u>October 1 Interest</u>	<u>October 1 Principal</u>	<u>Total</u>
2007-08	13,819	13,895	10,000	37,714
2008-09	13,667	13,667	11,000	38,334
2009-10	13,342	13,416	11,000	37,758
2010-11	13,092	13,165	12,000	38,257
2011-12	12,820	12,891	12,000	37,711
2012-13	12,618	12,618	13,000	38,236
2013-18	58,060	58,320	75,000	191,380
2018-23	48,725	48,942	95,000	192,667
2023-28	36,894	37,054	119,000	192,948
2028-33	22,149	22,223	147,000	191,372
2033-38	4,765	4,791	104,000	113,556
TOTAL	\$ 249,951	\$ 250,982	\$ 609,000	\$ 1,109,933

Water Supply System Bonds

Water Supply System revenue bonds were issued in 1992 in the amount of \$1,553,000 for the purpose of acquiring and constructing the Township's Water Supply System. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Water Supply System. The bond bears an interest rate not to exceed 5.75% per annum.

The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township, on any interest payment date after June 1, 1993. The payment schedule for the bond is as follows:

WATER SUPPLY SYSTEM FUND
SCHEDULE REVENUE BONDS
March 31, 2007

<u>Fiscal Year</u>	<u>June 1 Interest</u>	<u>December 1 Interest</u>	<u>June 1 Principal</u>	<u>Total</u>
2007-08	33,563	33,019	25,000	91,582
2008-09	33,019	32,258	26,000	91,277
2009-10	32,080	31,439	28,000	91,519
2010-11	31,265	30,591	29,000	90,856
2011-12	30,422	29,685	31,000	91,107
2012-13	29,685	28,720	33,000	91,405
2013-18	132,181	127,074	195,000	454,255
2018-23	100,480	93,441	256,000	449,921
2023-28	58,739	49,075	339,000	446,814
2028-33	9,686	4,095	192,000	205,781
TOTAL	\$ 491,120	\$ 459,397	\$ 1,154,000	\$ 2,104,517

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE I - LONG-TERM DEBT (Continued)

Sewage Disposal System (Painesdale) Bond

Sewage Disposal System (Painesdale) revenue bond was issued in 2001 in the amount of \$918,000 for the purpose of acquiring, constructing, and equipping improvements to the Township's sewage disposal system serving the Painesdale area. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Sewage Disposal System. The bond bears an interest rate not to exceed 4.5% per annum.

The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township, on any interest payment date after October 1, 2002.

SEWAGE DISPOSAL SYSTEM (PAINESDALE)
SCHEDULE OF REVENUE BONDS

March 31, 2007

<u>Fiscal Year</u>	<u>April 1 Interest</u>	<u>October 1 Interest</u>	<u>October 1 Principal</u>	<u>Total</u>
2007-08	19,782	19,782	11,000	50,564
2008-09	19,532	19,532	11,000	50,064
2009-10	19,282	19,282	12,000	50,564
2010-11	19,010	19,010	12,000	50,020
2011-12	18,737	18,737	13,000	50,474
2012-13	18,442	18,442	13,000	49,884
2013-18	87,396	87,396	77,000	251,792
2018-23	77,902	77,902	95,000	250,804
2023-28	65,978	65,978	120,000	251,956
2028-33	51,147	51,147	148,000	250,294
2033-38	32,727	32,727	185,000	250,454
2038-42	9,903	9,903	173,940	193,746
TOTAL	\$ 439,838	\$ 439,838	\$ 870,940	\$ 1,750,616

2001 Special Assessment Bonds

Special assessment bonds were issued in 2001 in the amount of \$80,000 for the purpose of defraying part of the cost of road improvements to Spring Brook Lane Road in the Township. The bonds are being repaid from collections on certain special assessment rolls. In addition, the Township has pledged its full faith and credit for repayment of the bonds. The bonds bear an interest rate of 4.5% per annum.

Bonds maturing in the years 2007 and thereafter, are subject to redemption prior to maturity, in any order of maturity and by lot within any maturity, at the option of the Township on any interest payment date after April 1, 2006, at par and accrued interest to the date fixed for redemption. The payment schedule for the bonds is as follows:

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE I - LONG-TERM DEBT (Continued)

SPRING BROOK LANE
SCHEDULE OF SPECIAL ASSESSMENT BONDS
March 31, 2007

Fiscal Year	April 1 Interest	October 1 Interest	April 1 Principal	Total
2007-08	1,013	788	10,000	11,801
2008-09	788	563	10,000	11,351
2009-10	563	450	5,000	6,013
2010-11	450	225	10,000	10,675
2011-12	225	-	10,000	10,225
TOTALS	<u>\$ 3,039</u>	<u>\$ 2,026</u>	<u>\$ 45,000</u>	<u>\$ 50,065</u>

The following is a summary of the changes in long-term debt principal for the year ended March 31, 2007:

	Balance 3/31/06	Additions	Reductions	Balance 3/31/07	Current Portion
Enterprise					
Sewage Disposal	\$ 617,000	\$ 0	\$ 8,000	\$ 609,000	\$ 10,000
Water Supply	1,177,000	0	23,000	1,154,000	25,000
Painesdale Sewage	881,000	0	10,060	870,940	11,000
Total Enterprise	<u>2,675,000</u>	<u>0</u>	<u>41,060</u>	<u>2,633,940</u>	<u>46,000</u>
Special Assessment-Spring Brook Lane	45,000	0	0	45,000	10,000
Total	<u>\$ 2,720,000</u>	<u>\$ 0</u>	<u>\$ 41,060</u>	<u>\$ 2,678,940</u>	<u>\$ 56,000</u>

As of March 31, 2007, the aggregate maturities of long-term debt for the next ten years and thereafter are as follows:

SUMMARY SCHEDULE OF LONG-TERM DEBT
March 31, 2007

Fiscal Year	Interest	Principal	Total
2007-08	135,661	56,000	191,661
2008-09	133,026	58,000	191,026
2009-10	129,854	56,000	185,854
2010-11	126,808	63,000	189,808
2011-12	123,517	66,000	189,517
2012-13	120,525	59,000	179,525
2013-18	550,427	347,000	897,427
2018-23	447,392	446,000	893,392
2023-28	313,718	578,000	891,718
2028-33	160,447	487,000	647,447
2033-38	75,010	289,000	364,010
2038-42	19,806	173,940	193,746
TOTALS	<u>\$ 2,336,191</u>	<u>\$ 2,678,940</u>	<u>\$ 5,015,131</u>

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE J - DEFERRED REVENUE

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The following schedule details deferred revenue as of March 31, 2007:

Fund	Special Assessments
Baltic Sewer Fund	\$ 24,138
Trimountain Sewer Fund	34,864
TOTAL	\$ 59,002

NOTE K - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintained six Enterprise Funds which provided water and sewer services. Segment information for the year ended March 31, 2007 is as follows:

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer
Operating Revenues	\$7,745	\$86,575	\$8,615
Depreciation	\$0	\$95,252	\$0
Operating Income (Loss)	\$7,720	\$(21,887)	\$6,432
Non-operating Revenue (Expense)	\$278	\$(38,440)	\$327
Net Income (Loss)	\$7,998	\$(60,327)	\$6,759
Property, Plant & Equipment Additions	\$0	\$0	\$0
Net Working Capital (Deficit)	\$88,977	\$213,244	\$(41,971)
Total Assets	\$113,140	\$3,811,441	\$149,364
Total Equity	\$88,977	\$2,906,389	\$(41,971)

	Atlantic Mine Sewer	Wholesale Water	Retail Water
Operating Revenues	\$75,579	\$281,646	\$127,392
Depreciation	\$104,855	\$52,835	\$34,935
Operating Income (Loss)	\$(48,567)	\$30,273	\$(23,285)
Non-operating Revenue (Expense)	\$(24,236)	\$(48,699)	\$2,868
Net Income (Loss)	\$(72,803)	\$(18,426)	\$(20,417)
Property, Plant & Equipment Additions	\$0	\$7,519	\$0
Net Working Capital (Deficit)	\$4,124	\$181,734	\$83,473
Total Assets	\$2,925,829	\$2,031,584	\$1,183,060
Total Equity	\$2,297,472	\$844,768	\$1,147,126

NOTE L - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE M - DEFINED CONTRIBUTION PLAN

The Township is a member of the Manulife Defined Contribution Pension Plan for Michigan Township Employees and provides pension benefits for all of its eligible employees through this plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time employees working forty hours or more per week and elected Township officials are eligible to participate from their date of employment. Voluntary contributions may be made up to a maximum of 10% of annual compensation. Township contributions for each employee and interest allocated to the employee's account are fully vested. Any amounts contributed voluntarily by the employee, under the plan, plus any interest earnings, are fully vested at the time of the contribution or crediting of investment earnings. The Township made contributions in the amount of \$3,279 for the fiscal year ending March 31, 2007.

NOTE N - SUBSEQUENT EVENT

The Township was awarded a \$1,893,000 grant and a \$552,000 loan from U.S. Department of Agriculture - Rural Development for new sewage collection and pumping system (Trimountain location) for approximately 103 homes plus a new sewage treatment lagoon. The total estimated cost of the project is \$2,525,000, with a \$1,893,000 grant, \$552,000 loan proceeds, and \$80,000 contribution from the township. Construction for the project is planned for summer of 2008.

NOTE O - DEFICIT FUND BALANCE

The Debt Retirement Fund shows a deficit of \$9,196 at March 31, 2007.

NOTE P - RECLASSIFICATION

Certain items in the March 2006 financial statements have been reclassified to conform with the current year presentation.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF ADAMS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES:				
Current property taxes	\$ 44,000	\$ 44,000	\$ 49,340	\$ 5,340
Special assessment - street lights	8,340	8,340	11,651	3,311
Commerical forest revenue	1,000	1,000	843	(157)
Yield tax	1,000	1,000	-	(1,000)
State shared revenue	134,500	134,500	132,355	(2,145)
Other state	1,100	1,100	1,018	(82)
Administration and collection fees	13,300	17,100	16,730	(370)
Cemetery fees	10,000	10,000	7,540	(2,460)
Interest	3,200	3,200	4,069	869
Library	3,600	3,600	3,600	-
Franchise fees	6,500	6,500	2,909	(3,591)
Reimbursements	600	1,400	893	(507)
Contributions	800	800	100	(700)
Miscellaneous	500	2,850	3,390	540
Rentals	2,700	2,700	2,700	-
TOTAL REVENUE	231,140	238,090	237,138	(952)
EXPENDITURES:				
General government				
Township board	12,955	23,455	10,312	13,143
Township supervisor	6,585	6,585	5,595	990
Legal, accounting, and audit	10,000	10,000	7,230	2,770
Clerk	32,570	32,570	6,874	25,696
Treasurer	15,850	15,850	9,708	6,142
Assessor	9,200	9,900	11,038	(1,138)
Elections	4,050	4,350	3,847	503
Building and grounds	43,675	36,000	31,859	4,141
Cemetery	16,550	14,450	10,008	4,442
Constable	840	840	910	(70)
Public works	37,600	36,500	36,769	(269)
Recreation	7,300	3,950	1,352	2,598
Library	11,350	7,210	6,297	913
Other activites	39,025	36,725	25,269	11,456
TOTAL EXPENDITURES	247,550	238,385	167,068	71,317
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,410)	(295)	70,070	70,365
OTHER FINANCING SOURCES (USES)				
Operating transfers out	-	(400)	-	400
NET CHANGE IN FUND BALANCE	\$ (16,410)	\$ (695)	70,070	\$ 70,765
FUND BALANCE - BEGINNING OF YEAR			503,739	
FUND BALANCE - END OF YEAR			\$ 573,809	

TOWNSHIP OF ADAMS
BUDGETARY COMPARISON SCHEDULE - FIRE PROTECTION FUND
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variance Final to Actual
	Original	Final		
REVENUES:				
Taxes	\$ 22,600	\$ 22,600	\$ 28,232	\$ 5,632
Miscellaneous	-	5,000	5,342	342
TOTAL REVENUE	22,600	27,600	33,574	5,974
EXPENDITURES:				
Supplies	15,000	10,000	9,812	188
Utilities	7,750	5,900	6,753	(853)
Repairs & maintenance	2,650	2,100	870	1,230
Capital outlay	10,000	22,500	22,733	(233)
TOTAL EXPENDITURES	35,400	40,500	40,168	332
NET CHANGE IN FUND BALANCE	\$ (12,800)	\$ (12,900)	\$ (6,594)	\$ 5,642
FUND BALANCE - BEGINNING OF YEAR			20,101	
FUND BALANCE - END OF YEAR			\$ 13,507	

SUPPLEMENTAL FINANCIAL INFORMATION

TOWNSHIP OF ADAMS
GENERAL FUND
BALANCE SHEETS
March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS:		
Cash	\$ 424,260	\$ 389,205
Accounts receivable	-	163
Taxes receivable	11,589	11,501
Due from other funds	218,207	220,084
Due from fiduciary funds	177	405
Prepaid expenses	<u>7,335</u>	<u>7,005</u>
 TOTAL ASSETS	 <u>\$ 661,568</u>	 <u>\$ 628,363</u>
 LIABILITIES:		
Accounts payable	\$ 4,944	\$ 9,826
Due to other funds	77,891	98,932
Accrued expenses	4,924	4,363
Deferred revenue	<u>-</u>	<u>11,503</u>
 TOTAL LIABILITIES	 <u>87,759</u>	 <u>124,624</u>
 FUND EQUITY	 <u>573,809</u>	 <u>503,739</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 661,568</u>	 <u>\$ 628,363</u>

TOWNSHIP OF ADAMS
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
REVENUES:		
Current property taxes	\$ 49,340	\$ 41,856
Special assessment - street lights	11,651	8,280
Commerical forest revenue	843	1,374
Yield tax	-	204
State shared revenues	132,355	133,776
Other state	1,018	964
Administration and collection fees	16,730	17,262
Cemetery fees	7,540	8,640
Interest	4,069	2,966
Library	3,600	3,600
Franchise fees	2,909	5,846
Reimbursements	893	6,001
Contributions	100	861
Miscellaneous	3,390	3,695
Rentals	2,700	2,700
Sale of assets	<u>-</u>	<u>2,491</u>
TOTAL REVENUES	<u>237,138</u>	<u>240,516</u>
EXPENDITURES:		
ASSESSOR:		
Tax supplies	3,238	1,800
Contract labor	<u>7,800</u>	<u>7,200</u>
Total assessor	<u>11,038</u>	<u>9,000</u>
SUPERVISOR:		
Salaries	5,560	5,560
Supplies	<u>35</u>	<u>136</u>
Total supervisor	<u>5,595</u>	<u>5,696</u>
CLERK:		
Salaries	5,884	5,870
Office supplies	422	188
Travel expenses	<u>-</u>	<u>246</u>
Total clerk	<u>6,306</u>	<u>6,304</u>

TOWNSHIP OF ADAMS
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (Continued)
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
TREASURER/ACCOUNTING:		
Salaries	12,790	16,928
Supplies	1,414	1,993
Printing and publishing	2,734	2,395
Travel expenses	<u>-</u>	<u>39</u>
Total treasurer/accounting	<u>16,938</u>	<u>21,355</u>
GENERAL SERVICES:		
Professional services	<u>568</u>	<u>11,586</u>
TOWNSHIP BOARD:		
Salaries	1,680	1,610
Supplies	800	4,230
Printing and publishing	934	747
Professional services	4,590	1,824
Contract labor	162	105
Community promotion	-	488
Miscellaneous	<u>2,146</u>	<u>939</u>
Total township board	<u>10,312</u>	<u>9,943</u>
CEMETERY:		
Salaries	6,545	10,572
Supplies	1,306	2,133
Utilities	677	128
Contract labor	<u>1,480</u>	<u>325</u>
Total cemetery	<u>10,008</u>	<u>13,158</u>
PUBLIC WORKS:		
Supplies	2,707	4,976
Utilities	32,081	29,593
Contract labor	1,399	146
Repair & maintenance	582	-
Travel expenses	<u>-</u>	<u>19</u>
Total public works	<u>36,769</u>	<u>34,734</u>

TOWNSHIP OF ADAMS
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (Continued)
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OTHER ACTIVITIES:		
Payroll taxes	3,424	6,112
Employee benefits	3,279	1,383
Insurance	15,627	16,040
Board of review	403	150
Miscellaneous	<u>2,536</u>	<u>4,339</u>
Total other activities	<u>25,269</u>	<u>28,024</u>
RECREATION:		
Salaries	-	41
Supplies	-	1,153
Utilities	1,352	2,216
Contract labor	<u>-</u>	<u>1,741</u>
Total recreation	<u>1,352</u>	<u>5,151</u>
LIBRARY:		
Utilities	<u>6,297</u>	<u>6,010</u>
Total library	<u>6,297</u>	<u>6,010</u>
CONSTABLE		
Salaries	<u>910</u>	<u>840</u>
ELECTIONS:		
Salaries	2,179	1,100
Supplies	1,200	738
Printing and publishing	<u>468</u>	<u>306</u>
Total elections	<u>3,847</u>	<u>2,144</u>
MAINTENANCE BUILDING:		
Salaries	6,574	9,045
Supplies	5,539	6,551
Utilities	16,400	17,116
Contract labor	<u>3,346</u>	<u>2,686</u>
Total maintenance building	<u>31,859</u>	<u>35,398</u>

TOWNSHIP OF ADAMS
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (Continued)
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
FIRE PROTECTION:		
Capital outlay	<u>-</u>	<u>75,000</u>
Total fire protection	<u>-</u>	<u>75,000</u>
TOTAL EXPENDITURES	<u>167,068</u>	<u>264,343</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>70,070</u>	<u>(23,827)</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>503,739</u>	<u>527,566</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 573,809</u>	<u>\$ 503,739</u>

TOWNSHIP OF ADAMS
FIRE PROTECTION FUND
BALANCE SHEETS
March 31, 2007

	<u>2007</u>	<u>2006</u>
ASSETS:		
Taxes receivable	\$ 6,947	\$ 5,052
Due from other funds	<u>6,560</u>	<u>20,101</u>
 TOTAL ASSETS	 <u>\$ 13,507</u>	 <u>\$ 25,153</u>
 LIABILITIES:		
Deferred revenue	<u>-</u>	<u>5,052</u>
 TOTAL LIABILITIES:	 <u>-</u>	 <u>5,052</u>
 FUND EQUITY:		
Fund balance	<u>13,507</u>	<u>20,101</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 13,507</u>	 <u>\$ 25,153</u>

TOWNSHIP OF ADAMS
FIRE PROTECTION FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
Year Ended March 31, 2007

	<u>2007</u>	<u>2006</u>
REVENUES:		
Taxes	\$ 28,232	\$ 22,780
Miscellaneous	<u>5,342</u>	<u>2,095</u>
TOTAL REVENUES:	<u>33,574</u>	<u>24,875</u>
EXPENDITURES:		
Supplies	9,812	10,038
Utilities	6,753	7,018
Repairs & maintenance	870	2,713
Capital outlay	<u>22,733</u>	<u>5,061</u>
TOTAL EXPENDITURES:	<u>40,168</u>	<u>24,830</u>
EXCESS (DEFICENCY) OF REVENUES OVER EXPENDITURES	(6,594)	45
FUND BALANCE, BEGINNING OF YEAR	<u>20,101</u>	<u>20,056</u>
FUND BALANCE, END OF YEAR	<u>\$ 13,507</u>	<u>\$ 20,101</u>

TOWNSHIP OF ADAMS
ENTERPRISE FUNDS
COMBINING BALANCE SHEETS
Year Ended March 31, 2007
With Comparative Totals for Year Ended March 31, 2006

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	TOTALS	
							(Memorandum Only)	2006
ASSETS:								
Current assets:								
Cash	\$ 89,002	\$ 253,899	\$ 114,500	\$ 29,441	\$ 116,806	\$ 92,664	\$ 696,312	\$ 617,523
Accounts receivable	24,138	4,457	34,864	4,040	24,914	9,048	101,461	113,019
Due from other funds	-	-	-	-	89,595	11,350	100,945	108,445
Prepaid expenses	-	-	-	-	8,234	6,347	14,581	17,262
Total current assets	113,140	258,356	149,364	33,481	239,549	119,409	913,299	856,249
Restricted cash	-	-	-	213,797	479,072	78,091	770,960	740,243
Fixed assets	-	3,878,837	-	3,694,916	2,291,794	1,725,353	11,590,900	11,586,625
Accumulated depreciation	-	(325,752)	-	(1,016,365)	(978,832)	(739,792)	(3,060,741)	(2,773,784)
TOTAL ASSETS	\$ 113,140	\$ 3,811,441	\$ 149,364	\$ 2,925,829	\$ 2,031,583	\$ 1,183,061	\$ 10,214,418	\$ 10,409,333
LIABILITIES								
Current liabilities:								
Accounts payable	\$ -	\$ 10	\$ 1	\$ 527	\$ 9,773	\$ 7,922	\$ 18,233	\$ 21,087
Due to other funds	25	33,833	156,470	18,750	-	27,547	236,625	230,346
Current maturities on bond payable	-	11,000	-	10,000	25,000	-	46,000	36,000
Accrued expenses	-	269	-	79	23,042	465	23,855	24,919
Deferred revenue	24,138	-	34,864	-	-	-	59,002	58,004
Total current liabilities	24,163	45,112	191,335	29,356	57,815	35,934	383,715	370,356
Long term bonds payable-net of current maturities	-	859,940	-	599,000	1,129,000	-	2,587,940	2,639,000
TOTAL LIABILITIES	24,163	905,052	191,335	628,356	1,186,815	35,934	2,971,655	3,009,356
FUND EQUITY:								
Contributed capital	-	2,649,272	-	2,196,022	98,591	271,432	5,215,317	5,405,415
Retained Earnings-Reserved	88,977	257,117	(41,971)	-	1,334	364,777	670,234	607,721
Retained Earnings-Unreserved	-	-	-	101,451	744,843	510,918	1,357,212	1,386,841
TOTAL FUND EQUITY	88,977	2,906,389	(41,971)	2,297,473	844,768	1,147,127	7,242,763	7,399,977
TOTAL LIABILITIES AND FUND EQUITY	\$ 113,140	\$ 3,811,441	\$ 149,364	\$ 2,925,829	\$ 2,031,583	\$ 1,183,061	\$ 10,214,418	\$ 10,409,333

TOWNSHIP OF ADAMS
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS

Year Ended March 31, 2007

With Comparative Totals for Year Ended March 31, 2006

	Painesdale		Trimountain		Atlantic		Wholesale		Retail		Totals	
	Baltic Sewer	Sewer	Sewer	Sewer	Sewer	Sewer	Water	Water	Water	Water	2007	(Memorandum Only) 2006
OPERATING REVENUES:												
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 72,086	\$ 277,577	\$ 127,276	\$ 476,939	\$ 478,772			
Special assessment	7,745	86,550	8,615	-	-	-	-	-	102,910	104,304		
Other	-	25	-	-	3,493	4,069	116	-	7,703	2,969		
TOTAL OPERATING REVENUES	7,745	86,575	8,615	8,615	75,579	281,646	127,392	587,552	586,045			
OPERATING EXPENSES	25	108,462	2,183	124,145	251,373	150,676	636,864	632,234				
OPERATING INCOME (LOSS)	7,720	(21,887)	6,432	(48,566)	30,273	(23,284)	(49,312)	(46,189)				
NON-OPERATING REVENUES (EXPENSES):												
Interest income	278	979	327	3,349	17,871	2,868	25,672	18,036				
Interest expense	-	(39,419)	-	(27,585)	(66,570)	-	(133,574)	(135,653)				
TOTAL NON-OPERATING REVENUES (EXPENSES)	278	(38,440)	327	(24,236)	(48,699)	2,868	(107,902)	(117,617)				
NET INCOME (LOSS)	7,998	(60,327)	6,759	(72,802)	(18,426)	(20,416)	(157,214)	(163,806)				
RETAINED EARNINGS, BEGINNING OF YEAR	80,979	234,987	(48,730)	88,314	763,853	875,159	1,994,562	1,968,270				
ADJUSTMENTS TO FUND EQUITY:												
Depreciation on Contributed Capital	-	82,457	-	85,939	750	20,952	190,098	190,098				
RETAINED EARNINGS, END OF YEAR	\$ 88,977	\$ 257,117	\$ (41,971)	\$ 101,451	\$ 746,177	\$ 875,695	\$ 2,027,446	\$ 1,994,562				

TOWNSHIP OF ADAMS

COMBINING STATEMENTS OF CASH FLOWS

ALL ENTERPRISE FUNDS

Year Ended March 31, 2007

With Comparative Totals for Year Ended March 31, 2006

	TOTALS					
	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water
						(Memorandum Only) 2007
						2006
RECONCILIATION OF OPERATING						
INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating Income (Loss)	\$ 7,720	\$ (21,887)	\$ 6,432	\$ (48,567)	\$ 30,273	\$ (23,285)
Adjustments to Reconcile Operating						
Income to Net Cash Provided by Operating Activities:						
Depreciation	0	95,252	0	104,855	52,835	34,935
(Increase) Decrease in accounts receivable	293	5,201	(2,673)	1,989	1,127	5,621
(Increase) Decrease in inventory	0	0	0	0	0	0
(Increase) Decrease in prepaid expenses	0	0	0	0	2,023	658
(Increase) Decrease in due from other funds	0	0	0	0	7,500	0
Increase (Decrease) in accounts payable	0	(1)	(1,885)	109	3,657	(4,733)
Increase (Decrease) in due to other funds	25	2,215	4,040	0	0	0
Increase (Decrease) in accrued expenses	0	269	0	79	(541)	(872)
Increase (Decrease) in deferred revenue	(293)	0	2,673	0	0	(1,382)
	7,745	81,049	8,587	58,465	96,874	263,662
NET CASH PROVIDED BY OPERATING ACTIVITIES						178,231
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Reductions of long-term debt	0	(10,060)	0	(8,000)	(23,000)	0
Interest paid on long-term debt	0	(39,419)	0	(27,585)	(66,570)	0
Purchase of fixed assets	0	0	0	(5,194)	0	0
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	0	(49,479)	0	(40,779)	(89,570)	0
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest on investments and deposits	278	979	327	3,349	17,871	2,868
NET CASH FLOWS FROM INVESTING ACTIVITIES	278	979	327	3,349	17,871	2,868
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	8,023	32,549	8,914	21,035	25,175	13,810
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	80,979	221,350	105,586	222,203	570,703	156,945
CASH AND RESTRICTED CASH, END OF YEAR	\$ 89,002	\$ 253,899	\$ 114,500	\$ 243,238	\$ 595,878	\$ 170,755
						\$ 1,357,766

TOWNSHIP OF ADAMS
BALTIC SEWER
DETAIL SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Special assessment	\$ 7,745	\$ 6,247
EXPENSES:		
Professional fees	<u>25</u>	<u>-</u>
OPERATING INCOME (LOSS)	7,720	6,247
NON-OPERATING REVENUES (EXPENSES):		
Interest income	<u>278</u>	<u>255</u>
NET INCOME (LOSS)	7,998	6,502
RETAINED EARNINGS, BEGINNING OF YEAR	<u>80,979</u>	<u>74,477</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 88,977</u>	<u>\$ 80,979</u>

TOWNSHIP OF ADAMS
PAINESDALE SEWER
DETAIL SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Special assessment	\$ 1,210	\$ 620
Special assessment - operation & maintenance	31,990	34,233
Special assessment - debt retirement	53,350	53,456
Other	<u>25</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>86,575</u>	<u>88,309</u>
EXPENSES:		
Salaries	5,411	10,767
Supplies	2,128	2,612
Utilities	1,973	1,774
Depreciation	95,252	95,252
Refunds	-	109
Miscellaneous	3,338	1,444
Contract labor	<u>360</u>	<u>-</u>
TOTAL EXPENSES	<u>108,462</u>	<u>111,958</u>
OPERATING INCOME	<u>(21,887)</u>	<u>(23,649)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	979	913
Interest expense	<u>(39,419)</u>	<u>(39,870)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(38,440)</u>	<u>(38,957)</u>
NET INCOME (LOSS)	(60,327)	(62,606)
RETAINED EARNINGS, BEGINNING OF YEAR	234,987	215,136
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	<u>82,457</u>	<u>82,457</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 257,117</u>	<u>\$ 234,987</u>

TOWNSHIP OF ADAMS
TRIMOUNTAIN SEWER
DETAIL SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Special assessment	\$ 8,615	\$ 9,748
EXPENSES:		
Miscellaneous	29	-
Engineering services	<u>2,154</u>	<u>10,773</u>
TOTAL EXPENSES	<u>2,183</u>	<u>10,773</u>
OPERATING INCOME (LOSS)	6,432	(1,025)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	<u>327</u>	<u>298</u>
NET INCOME (LOSS)	6,759	(727)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>(48,730)</u>	<u>(48,003)</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ (41,971)</u>	<u>\$ (48,730)</u>

TOWNSHIP OF ADAMS
ATLANTIC MINE SEWER
DETAIL SCHEDULES OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Charges for services	\$ 72,086	\$ 70,789
Miscellaneous	<u>3,493</u>	<u>2,113</u>
TOTAL OPERATING REVENUES:	<u>75,579</u>	<u>72,902</u>
EXPENSES:		
Salaries	2,150	1,780
Supplies	2,707	2,014
Utilities	4,066	3,245
Insurance	1,343	93
Repairs & maintenance	543	865
Depreciation	104,855	104,768
Miscellaneous	620	195
Contract labor	<u>7,861</u>	<u>6,385</u>
TOTAL EXPENSES	<u>124,145</u>	<u>119,345</u>
OPERATING INCOME (LOSS)	<u>(48,566)</u>	<u>(46,443)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	3,349	2,852
Interest expense	<u>(27,585)</u>	<u>(27,900)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(24,236)</u>	<u>(25,048)</u>
NET INCOME (LOSS)	(72,802)	(71,491)
RETAINED EARNINGS, BEGINNING OF YEAR	88,314	73,866
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	<u>85,939</u>	<u>85,939</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 101,451</u>	<u>\$ 88,314</u>

TOWNSHIP OF ADAMS
WHOLESALE WATER
DETAIL SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Charges for services	\$ 277,577	\$ 275,804
Other	<u>4,069</u>	<u>856</u>
TOTAL OPERATING REVENUES	<u>281,646</u>	<u>276,660</u>
EXPENSES:		
Salaries	38,436	38,695
Payroll taxes	4,636	4,398
Employee benefits	39,718	43,629
Supplies	23,929	19,729
Office supplies	34	74
Utilities	52,843	53,985
Insurance	14,211	10,555
Contract labor	4,407	-
Repairs & maintenance	13,593	5,782
Professional services	4,338	-
Depreciation	52,835	52,869
Miscellaneous	<u>2,393</u>	<u>152</u>
TOTAL EXPENSES	<u>251,373</u>	<u>229,868</u>
OPERATING INCOME (LOSS)	<u>30,273</u>	<u>46,792</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	17,871	11,465
Interest expense	<u>(66,570)</u>	<u>(67,883)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(48,699)</u>	<u>(56,418)</u>
NET INCOME (LOSS)	(18,426)	(9,626)
RETAINED EARNINGS, BEGINNING OF YEAR	763,853	772,729
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	<u>750</u>	<u>750</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 746,177</u>	<u>\$ 763,853</u>

TOWNSHIP OF ADAMS
RETAIL WATER
DETAIL SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Years Ended March 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Charges for services	\$ 127,276	\$ 132,179
Miscellaneous	<u>116</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>127,392</u>	<u>132,179</u>
EXPENSES:		
Salaries	38,276	42,600
Payroll taxes	1,440	1,575
Supplies	2,204	18,708
Office supplies	2,682	3,815
Utilities	46,894	39,466
Insurance	12,290	12,403
Repairs & maintenance	8,956	5,752
Travel expenses	11	40
Professional services	2,533	-
Depreciation	34,935	34,935
Capital outlay	270	947
Miscellaneous	<u>185</u>	<u>49</u>
TOTAL EXPENSES	<u>150,676</u>	<u>160,290</u>
OPERATING INCOME (LOSS)	(23,284)	(28,111)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	<u>2,868</u>	<u>2,253</u>
NET INCOME (LOSS)	(20,416)	(25,858)
RETAINED EARNINGS, BEGINNING OF YEAR	875,159	880,065
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	<u>20,952</u>	<u>20,952</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 875,695</u>	<u>\$ 875,159</u>

TOWNSHIP OF ADAMS
TAX COLLECTION FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2007

TAX COLLECTION FUND

	Balance 3/31/06	Additions	Deductions	Balance 3/31/07
ASSETS:				
Cash	\$ 179	\$ 1,150,498	\$ 1,125,916	\$ 24,761
TOTAL ASSETS	\$ 179	\$ 1,119,235	\$ 1,125,916	\$ 24,761
LIABILITIES:				
Due to General Fund	\$ 179	\$ 46,431	46,440	\$ 170
Due to Retail Water Fund	0	58,564	58,564	0
Due to Fire Protection Fund	0	19,400	19,400	0
Due to Debt Retirement Fund	0	0	0	0
Due to other governmental units	0	1,045,502	1,020,911	24,591
TOTAL LIABILITIES	\$ 179	\$ 1,169,897	\$ 1,145,315	\$ 24,761

DELINQUENT TAX COLLECTION FUND

	Balance 3/31/06	Additions	Deductions	Balance 3/31/07
ASSETS:				
Cash	\$ 629	\$ 7,503	\$ 8,081	\$ 51
TOTAL ASSETS	\$ 629	\$ 7,503	\$ 8,081	\$ 51
LIABILITIES:				
Due to General Fund	\$ 226	\$ 4,595	\$ 4,814	\$ 7
Due to Fire Protection Fund	0	\$ 63	0	63
Due to other governmental units	403	1,870	2,292	(19)
TOTAL LIABILITIES	\$ 629	\$ 6,528	\$ 7,106	\$ 51

TOTAL FUNDS

	Balance 3/31/06	Additions	Deductions	Balance 3/31/07
ASSETS:				
Cash	\$ 808	\$ 1,158,001	\$ 1,133,997	\$ 24,812
TOTAL ASSETS	\$ 808	\$ 1,158,001	\$ 1,133,997	\$ 24,812
LIABILITIES:				
Due to General Fund	\$ 405	\$ 51,026	\$ 51,254	\$ 177
Due to Retail Water Fund	0	58,564	58,564	0
Due to Fire Protection Fund	0	19,463	19,400	63
Due to Debt Retirement Fund	0	0	0	0
Due to other governmental units	403	1,047,372	1,023,203	24,572
TOTAL LIABILITIES	\$ 808	\$ 1,176,425	\$ 1,152,421	\$ 24,812



Bruce A Rukkila, CPA, PC



310 Sheldon Avenue • Houghton MI 49931
(906) 482-6601 • Fax: (906) 482-9046
e-mail: help@brucerukkila.com
www.bruцерukkila.com

LETTER OF COMMENTS AND RECOMMENDATIONS

Honorable Supervisor and Board of Trustees
Township of Adams
Painesdale, Michigan

We have audited the general purpose financial statements of the Township of Adams, for the year ended March 31, 2007, and have issued our report thereon dated July 31, 2007. As part of our audit, we made a study and evaluation of the Township's internal control structure only to the extent we considered necessary as required by generally accepted auditing standards.

Under generally accepted auditing standards, the purpose of an evaluation of the internal control structure is to establish a basis for reliance on the system in determining the nature, timing and extent of other auditing procedures and to assist in planning and performing the audit. Our audit would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

The following suggestions are submitted to assist in improving procedures and controls.

Public Act 621 - Budget Over Expenditures

Public Act 621 of 1978, as amended, prohibits expenditures in excess of budgeted appropriations. Instances of violations of these provisions are readily ascertainable from the financial statements and the accompanying information. There were no material overages in the individual budgeted funds.

Water and Sewer Recievables

It was noted during the course of the audit that water and sewer receivables are not being reconciled on a monthly basis. We recommend that the Water/Sewer Billing Clerk and Treasurer reconcile the receivables on a monthly basis.

Expenditures

In order to keep the Township's management informed regarding State of Michigan regulations, we present below a list of examples of illegal or unauthorized expenditures as defined in the Bulletin for Audits of Local Units of Government in Michigan as revised (Appendix H). We recommend that the Township's management familiarize themselves with this list in order to prevent the potential for illegal or unauthorized expenditures of the Township's funds.

- Contributions to churches, veterans, nonprofit organizations.
- Payment of funeral expense for a person injured on government property
- Donations to a private ambulance or EMS service not under contract with the governmental unit.
- Donations, including use of property or equipment to Little League, Scouts, Big Brothers/Sisters.
- Donations to community organizations.
- Expenses for private road constructions or maintenance.
- Office refreshments, picnics.
- Presents to officials and employees or retirement recognition events.
- Flowers to the sick or departed.
- Mileage of officials and employees to and from their residence to the Township.
- Extra compensation unless for part of the initial salary resolution or authorized under statutory procedures for an increase in salary.

Deficit Fund Balance

The Debt Retirement Fund shows a deficit of \$9,196 at March 31, 2007.

In accordance with Public Act 275 of 1980, the Township must formulate and file a deficit elimination plan (DEP) with the State Treasurer to correct the deficit situation. This DEP must contain: (1) a copy of current trial balances showing the deficit eliminated; (2) copy of Township resolution noting the plans for eliminating the deficit; and (3) a projected budget, approved by the Township, itemizing the revenues, expenditures and the changes in the fund balance.

Statement on Auditing Standards (SAS) No. 112

Those charged with governance is defined as, "the person(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity." This includes overseeing the financial reporting and disclosure process. In smaller entities, such as the Township of Adams, those charged with governance may be the same people.

SAS No. 112 states that those charged with governance need to have the necessary accounting expertise and competence with respect to financial statement preparation. They must be able to prevent, detect, and correct a potential misstatement in the financial statements. In order to eliminate control deficiencies, significant deficiencies, or material weaknesses, the township should review their internal control, segregation of duties, and management's ability to prepare financial statements.

It has been a pleasure to provide audit services to the Township of Adams. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

Bruce A. Rukkila, CPA, PC

July 31, 2007

Certified Public Accountants